



Department of Justice

United States Attorney McGregor W. Scott
Eastern District of California

FOR IMMEDIATE RELEASE
Friday, June 6, 2008
www.usdoj.gov/usao/cae
Docket #: 05-cr-503-MCE

CONTACT: Lauren Horwood
PHONE: (916) 554-2706
lauren.horwood@usdoj.gov

WEED CHIROPRACTOR CONVICTED OF BANKRUPTCY FRAUD AND MONEY LAUNDERING

SACRAMENTO, Calif.—United States Attorney McGregor W. Scott announced today that THOMAS M. KLASSY, 55, of Weed, Calif., was convicted yesterday afternoon on 28 felony counts, including making false declarations under penalty of perjury in a bankruptcy case, fraudulently concealing property in a bankruptcy case, and 26 counts of money laundering. The guilty verdicts were returned by a jury in Sacramento after a three-week trial before United States District Judge Morrison C. England, Jr.

This case is the product of an extensive joint investigation by the Federal Bureau of Investigation and the Internal Revenue Service—Criminal Investigation Division.

According to Assistant United States Attorneys Matthew Stegman and Russell Carlberg, who prosecuted the case, the evidence introduced at trial showed the defendant committed perjury in his bankruptcy proceedings and thereby concealed substantial assets from the bankruptcy court. Among the false statements he made under oath were that he did not own an airplane, a pickup truck, a one-third interest in a 220-acre ranch, \$205,000 he received for the sale of his chiropractic business, and two shell corporations named Rose Ventures, Inc. and Aromor, Inc., which he used to hide much of his assets. As to the sale of his business, KLASSY said that he sold it for only \$60,000. The evidence showed that he gave the bankruptcy court trustee a forged contract, while concealing the true contract of \$265,000.

He was also convicted of money laundering for funneling the \$205,000 through an attorney's trust account and then back to Rose Ventures, Inc., and Aromor, Inc., bank accounts. He held these shell corporations in the names of straw-men to avoid having his name attached to the corporations. Klassy used blank checks that had been pre-signed by the straw-man to spend the money. One of these straw-men had advertised on a Web site his services for hiding assets by "properly integrat[ing] the attorney-client privilege with the nominee officer service."

United States Attorney Scott stated, "This conviction sends an unmistakable message that we will root out those who lie to take advantage of our legal system bankruptcy fraud and hold perpetrators fully responsible."

"Concealing assets and making false statements in bankruptcy undermine the integrity of the bankruptcy system and public confidence in that system," stated Sara L. Kistler, Acting United States Trustee for Eastern and Northern California and Nevada. The U.S. Trustee Program is the component of the Justice Department that protects the integrity of the bankruptcy system by overseeing case administration and litigating to enforce the bankruptcy laws.

The defendant is scheduled to be sentenced by Judge England on August 14, 2008.

The maximum statutory penalty for bankruptcy fraud is five years in prison and a fine of up to \$250,000. The maximum penalty for money laundering is 20 years and a fine of up to \$500,000 or twice the value of the money laundered, whichever is greater. The actual sentence, however, will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables and any applicable statutory sentencing factors.

#####